

ADVERTISING — The best way to kill a poor product The best way to sell a good one

Advertising critics often condemn advertising for manipulating people into buying things they don't want or need. Greedy business people, some charge, use advertising to con people into going into stores and dealerships to buy inferior goods at high prices.

If that were the case, then a business person's main job would be to produce high quality advertising and back it with the biggest budget in the industry. But that is not the way the business works. If you need proof, check the 1991 figures on the nation's largest retailers.

The No. 1 retailer (in dollar volume) for 1991 was Wal-Mart. So, you might expect them to be the largest advertiser in the country. But in 1991 Wal-Mart spent only \$25 million on advertising, up from about \$18.4 million the year before.

On the other hand Sears, which until a few years ago was the nation's largest retailer, spent \$154.7 million in 1991 on advertising, down \$28.1 million from the year before. In fact, Sears ranked 5th among the top 200 advertisers in the nation. Wal-Mart ranked 107th.

K-Mart, which briefly took over from Sears as the nation's No. 1 retailer before losing the position to Wal-Mart, had advertising expenditures in 1991 of \$60.9 million, down \$23.7 million from 1990. Macy's, which recently filed for bankruptcy, spent \$65.2 million last year while J.C. Penney, which can't decide whether it wants to compete on price or as a premium quality store, spent \$44.3 million. If advertising dollars alone built sales then all these companies would be well ahead of Wal-Mart.

There are a number of reasons why Wal-Mart occupies the No. 1 spot while spending less for advertising than retailers a fraction of its size. To over simplify, they sell quality name-brand products at virtually the lowest price in the industry, day in and day out. In effect they run a sale every day, so they don't spend big money promoting "special sales" in order to get customers into the store. Their advertising can concentrate on building awareness of the company and its basic sales message of always having the lowest price.

A big advertising budget won't sell a poor product—at least not for long. In fact it has been demonstrated time and again that the quickest way to kill a shoddy product or business is to advertise it heavily. That way more people will find out quickly that the product or service doesn't live up to its billing.

At the same time the dissatisfied customers will tell others about how poor the product or service is. On the

other hand advertising is life giving and life sustaining for an efficient business or a top quality product.

Because of these and other reasons I never give a definitive answer when someone asks me how much they should invest in advertising for their Angus herd. There is no one correct dollar amount or percentage of gross sales that works for everyone.

The goal of your advertising program should be to reach nearly all of your potential customers in your defined market area. Moreover it should reach them with enough frequency to establish top-of-the-mind awareness.

When the cattle people in your market think of bulls or Angus seedstock you want them to think of you first, and foremost. That's top-of-the-mind awareness. Some people can achieve this on a small scale with no paid advertising. On the other hand some larger seedstock businesses need to invest more than 10 percent of their gross in paid advertising.

Few people are fool enough to buy an inferior product or service a second time just because a business has great advertising. Quality, service and competitive price come first. Once a business can offer these to its customers, then advertising and promotion are an excellent investment.

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